

Wednesday, February 10, 1954

# Daily Digest

## HIGHLIGHTS

Senate passed bills on coffee, Passamaquoddy power project, and Wyoming land.

See lobbyists' registrations and quarterly reports.

## Senate

### Chamber Action

*Routine Proceedings, pages 1517-1521*

**Bills Introduced:** 3 bills and 1 resolution were introduced, as follows: S. 2927 to S. 2929; and S. J. Res. 126.  
Page 1519

**Bills Reported:** Report was made as follows: Final report of Committee on Foreign Relations on Overseas Information Programs, filed pursuant to S. Res. 74 (82d Cong.) and S. Res. 44 and 117 (83d Cong.) (S. Rep. 936).  
Pages 1518-1519

**Coffee:** Senate passed without amendment S. 1386, to extend the provisions of the Commodity Exchange Act to coffee.  
Page 1522

**Private Bill:** Motion by Senator Langer to reconsider vote by which Senate on February 8 passed H. R. 4254, a private bill, and to request rescission of signing of the bill by the Speaker and its return to the Senate, was adopted.  
Page 1520

**Jackson, Wyo.:** S. 666, authorizing conveyance of certain lands and rights-of-way to Jackson, Wyo., was passed without amendment.  
Pages 1522-1526

**Passamaquoddy Power Project:** Senate passed with committee amendments S. J. Res. 12, authorizing a survey to be made of the Passamaquoddy tidal power project.  
Pages 1526-1527

**Lobbyists:** The compilation by the Secretary of the Senate and the Clerk of the House of all registrations and quarterly reports for the third quarter of 1953 filed by persons engaged in lobbying activities appears in this issue of the Congressional Record.  
Pages 1529-1560

**Nominations:** 85 civilian nominations in the Public Health Service were received.  
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**Program for Thursday:** Senate recessed at 1:44 p. m. until noon Thursday, February 11, when Senate possibly will consider some or all of the following public bills that were objected to on call of calendar on February 8: S. 1857, 1063, 1461, 1691, 2231, 796, 2404, H. R. 3704, 5976, 6025, and six private bills (S. 56, 59, 101, 389, H. R. 2351, and 685).

### Committee Meetings

(Committees not listed did not meet)

#### JUVENILE DELINQUENCY

**Committee on the Judiciary:** Subcommittee To Study the Problems of Juvenile Delinquency met in executive session for consideration of subcommittee budget matters.

## House of Representatives

### Chamber Action

The House was not in session today. Its next meeting will be held on Friday, February 12, at 12 o'clock noon.

### Committee Meetings

#### MEXICAN FARM LABOR

**Committee on Agriculture:** Continued consideration of H. J. Res. 355, to amend the act of 1951 relating to recruitment of agricultural workers from the Republic of

Mexico. Ernesto Galarza, director of research and education, National Agricultural Workers Union (AFL), opposed enactment of the resolution under consideration. He stated that his organization was not now, or never has been, opposed in principle to the recruitment of Mexican farmworkers under an international agreement. But, he added, the present administrative procedures must be changed—that they should be negotiated publicly—to protect against displacement of American workers by lowering wage and living standards. Hearings will be continued tomorrow.

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## FORT PECK INDIANS

*Committee on Interior and Insular Affairs:* The Subcommittee on Indian Affairs approved for reporting to the full committee H. R. 6154, amended, to authorize payment of salaries and expenses of officials of the Fort Peck Tribe. Testimony in favor of the proposal was received from Harry A. Sellery, Chief Counsel, Bureau of Indian Affairs; Austin Buckles, chairman, Fort Peck Tribal Council; and James Curry, attorney for Fort Peck Tribal Council. Also considered, but took no action on, H. R. 7649, to establish the Fort Peck Indian Lands Commission; and H. R. 7650, to provide home rule for the Assiniboine-Sioux Tribes of the Fort Peck Indian Reservation, Mont. Santee Ironring, chief of the Sioux Tribe, and Charles Ironbear, a member of the Sioux Tribe, also testified at today's session.

## CLAIMS

*Committee on the Judiciary:* Subcommittee No. 5 approved for reporting to the full committee 10 private claim bills (8 House and 2 Senate); and reported adversely on 4 private claim bills (2 House and 2 Senate).

## RIVERS AND HARBORS

*Committee on Public Works:* The Angell subcommittee considered Florida and Alabama projects today; projects which have been authorized by favorable reports by the Chief of Engineers. Said reports have been submitted since the passage of the River and Harbor Act of 1950, and were explained by Col. W. D. Milne, representing the Corps of Engineers. Representative Sikes spoke on the St. Joseph Bay and Apalachicola Bay project, in Florida, along with Francis T. Green, executive vice president of the Merchant Marine Institute, who addressed his remarks to the St. Joseph Bay project. The Hillsboro Harbor project in Florida was discussed by Representative Campbell; while the Rice Creek project in Putnam County, Fla., was discussed by Representative Matthews. Testimony on an Alabama project (Dauphin Island Bay) was presented by Representative Boykin. A statement relative to the Florida projects was submitted for the record by Senator Smathers. Hearings will be continued tomorrow.

## GENERAL TAX REVISION

*Committee on Ways and Means:* Announced the following substantive changes following today's consideration of the revenue revision bill for 1954—

## GAIN OR LOSS ON THE SALE OF PROPERTY

The so-called basis rules are the rules applied in determining gain or loss on the sale of property. Gain generally is the amount received on a sale less the basis of the property. In the ordinary case, basis is the cost of the property when purchased, plus the cost of improvements made since purchase and minus (in the case of business property) any depreciation taken on property since its purchase. The committee has reorganized the basis provisions in the present code and placed these rules, or

references to them, in a single subchapter. In addition a number of substantive changes were also made:

(1) Under existing law most property transferred as the result of the death of an individual receives a new basis at the date of the death equal to its market value at that time (or 1 year later if the estate tax optional valuation date is used). However, the change in basis at death under present law is generally limited to property included in the decedent's probate estate and does not apply to most trust properties which are included in the decedent's gross estate or to prior gifts included in the gross estate because they were held to have been made "in contemplation of death." The committee's bill for an individual dying in the future gives a new basis at death (or the optional valuation date) to all property included in the decedent's gross estate except survivor annuities. The latter are omitted because under the new annuity rule the annual income exclusion was based on the joint life expectancy of the decedent and the survivor. A somewhat similar situation exists in the case of employee stock options. Income in respect of a decedent is not given a new basis because the income tax has been postponed and because an estate tax deduction is allowed (see prior press release). The adoption of this new rule of general application removes discriminations in existing law and also substantially simplifies it.

(2) Under the committee's bill provision is made specifically for a decrease in basis for depreciation sustained during a period property was used in a business enterprise by an organization which was exempt from tax. The present code does not deal with this problem but this is the rule presently followed by the Internal Revenue Service.

(3) A change was made by the committee in the basis rules presently provided for annuity contracts which are sold. The committee's provision provides that gain on the sale of an annuity contract is not to exceed the amount received. This is necessary because under the new annuity rule the uniform annual exemption continues even if the annuitant outlives his life expectancy. If an annuitant who had already received back more than his cost were to sell his annuity contract his gain, were it not for this new basis rule, would exceed the amount he received.

(4) In the future in the case of the "sale of a personal residence" and the purchase of another, taxpayers will be permitted to reduce the gain they recognize to the excess of the "adjusted sales price" for the old residence over the cost of the new residence. The new feature added here by the committee was the "adjusted" sales price. This permits taxpayers to reduce the amount they receive for this purpose by the selling commissions and "fixing up" expenses prior to the sale (such as papering and painting) they incur in order to make the sale possible. These expenses are limited to those—(a) incurred for work within 90 days prior to the sale; (b) paid within 30 days after the sale; and (c) not deductible in computing taxable income.

(5) The committee added a provision qualifying "cooperative housing" under the "sale of a personal residence" provision. Cooperative apartments already qualify under existing law.

(6) In the case of the sale of a personal residence, members of the Armed Forces are given a 4-year period in which to buy a new residence without gain being recognized on their old residence, instead of the 1 year (or 18 months in the case of new construction), which is generally applicable. Present law, however, makes this treatment available only to members of the Armed Forces selling their old residences prior to January 1, 1954. The committee bill extends this date to January 1, 1955.

(7) Present law provides the same 1-year or 18-month limitations in the case of involuntary conversions of residences as in the case of the ordinary sale of an old personal residence and the purchase of a new one. For the future the committee bill provides that the secretary or delegate can extend the time for replacing the involuntarily converted residences beyond the 1 year or 18 months. Also, as in the case of farm properties involuntarily

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converted under the committee's bill it will no longer be necessary to allocate the property between that coming under the sale of a personal residence provision and that coming under the general involuntary conversion provision.

(8) The committee adopted a new treatment for mortgage foreclosures. Under the bill this recognition of gain or loss on the property foreclosed is postponed until the creditor disposes of the property. At present the creditor recognizes gain or loss on acquiring the property held as security for a loan. His gain or loss is based on the difference between the market value of the property and the basis of the loan satisfied by the creditor's artificial bid. To the extent the loan is not satisfied the creditor has a bad debt. Under the bill the creditor would carry over to the property acquired his basis for the loan and his gain or loss on the sale of the property would be computed on this basis. The gain or loss recognized would, or would not, be a capital gain or loss depending on whether the original loan was a capital asset.

(9) The committee adopted a provision providing generally for the tax-free exchange of life insurance, endowment, or annuity contracts for other policies. However, the exchange of an endowment policy for a life insurance policy will continue to be taxable as under existing law.

## INCOME ATTRIBUTABLE TO SEVERAL TAXABLE YEARS (old sec. 107)

Present law provides that where personal services cover a period of 36 months or more and not less than 80 percent of the pay for this work is received in a single taxable year, the tax on this income generally is to be no greater than it would be if the income had been spread ratably over the 36-month period.

The committee has retained this provision but made four modifications in it: (a) The maximum period over which income from an invention can be spread has been increased from 36 months to 60 months; (b) under present law a partner may spread back partnership income to years prior to the time he became a member of the partnership and even prior to the time he was born. Under the committee provision whenever the employment began prior to the time a partner became a member of the partnership, he cannot spread the income back unless he was a member of the partnership for 36 months and he cannot spread it back to a period before he was a partner; (c) the committee adopted a provision prohibiting income splitting by a husband and wife for income spread back to years prior to 1948, when the income-splitting provision was adopted; and (d) the term "employment" has been substituted for the term "personal services" to eliminate ambiguity which has arisen in connection with the term "personal services."

## ADJUSTMENTS IN CLOSED TAXABLE YEARS

The committee adopted several amendments to the provision in present law relating to the "maintenance of inconsistent positions," which provides for an adjustment of the tax for years otherwise closed by the statute of limitations. The adjustment is applicable where either the taxpayer or the Government maintains an inconsistent position in an open taxable year.

1. The committee approved a simplified procedure for making the adjustments. The new procedure provides for an informal determination which will permit adjustments without awaiting the approval required of a closing agreement. This

revision will enable taxpayers and the Government to obtain speedy relief. If the informal determination is later altered or revoked, the parties will be placed in the same position as they were prior to the determination.

2. A committee amendment provides that in making the adjustment for the closed year there is to be taken into account the effect of the adjustment upon the net operating loss deduction in other barred years. Under present law relief may be denied entirely where a net operating loss is involved.

3. Technical amendments are made to the provisions relating to the basis of property. The basis provisions are extended to apply where there has been an error in the expensing of items which should have been capitalized or vice versa. Other changes have been made to provide uniformity of coverage of the basis provisions.

## INVOLUNTARY LIQUIDATION AND REPLACEMENT OF LIFO INVENTORIES

Present law provides that a taxpayer on the LIFO method of inventory accounting whose inventory decreases after the Korean War and before December 31, 1953, may elect to replace this inventory before 1956 without having income realized on the appreciation in the inventory liquidated. The committee extended the 1953 date to December 31, 1954.

Committee adjourned until tomorrow.

*Joint Committee Meetings*

## PRESIDENT'S ECONOMIC REPORT

*Joint Committee on the Economic Report:* Continuing its hearings on the President's economic report, the committee today held a panel discussion on State and local government outlook and implications for Federal economic policy, with testimony covering the following topics: (1) public facility needs in general, (2) city government, (3) State government, (4) State and local finance, and (5) general. Witnesses heard today were Clarence Elliott, city manager, Kalamazoo, Mich.; Roger Freeman, special assistant to the Governor, State of Washington; George Mitchell, vice president, Federal Reserve Bank of Chicago; Allen D. Manvel, Chief, Governments Division, Bureau of the Census; and Mayor Michael Micich, of Charles City, Iowa. Hearings continue tomorrow.

## D. C. PUBLIC WORKS

*Joint meeting:* Fiscal Affairs Subcommittees of the Senate and House District of Columbia Committees continued, in executive session, their consideration of H. R. 7389, to authorize and finance a program of public works construction for the D. C., but made no announcements as to their actions, and will continue consideration of this bill on February 17.

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COMMITTEE MEETINGS FOR THURSDAY,  
FEBRUARY 11

(All meetings are open unless otherwise designated)

Senate

*Committee on Armed Services*, subcommittee, on S. 436, conveyance of land at Camp Blanding, Fla., 9:45 a. m., 212 Senate Office Building.

*Committee on Foreign Relations*, February 12, special subcommittee will hold hearings on proposals to review the U. N. Charter, 2 p. m. and 8 p. m., Simon Perkins Junior High School, Akron, Ohio.

House

*Committee on Agriculture*, on H. J. Res. 355, amending the act of 1951 relating to recruitment of agricultural workers from

the Republic of Mexico, 10 a. m., 1310 New House Office Building.

*Committee on Public Works*, Subcommittee on Rivers and Harbors on miscellaneous projects, 10 a. m., 1304 New House Office Building.

*Committee on Ways and Means*, on general tax-revision legislation, executive, 10 a. m., 1102 New House Office Building.

Joint Committee

*Joint Committee on the Economic Report*, on President's economic report, 10 a. m., 318 Senate Office Building.

*Conferees*, executive, on S. 2175, retirement of employees in the legislative branch, 11 a. m., room F-82, Capitol.